

Russell Investments Managed Portfolio - Balanced



The portfolio returned 3.30%[^] in July. Both our global equity exposure and the direct Australian equity portfolio recorded positive absolute and benchmark-relative performance over the period. In terms of fixed income, the Russell Investments Australian Bond Fund also delivered positive absolute and excess returns in July, while the Russell Investments International Bond Fund – \$A Hedged narrowly underperformed its benchmark. However, the Fund did record positive absolute returns for the month. Meanwhile, Australian private credit manager Metrics Credit and the Russell Investments Australian Floating Rate Fund continued to perform well.

Portfolio objective

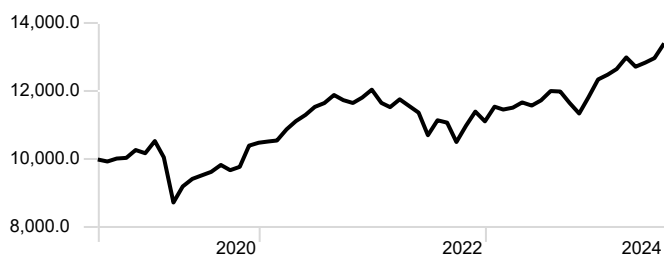
To provide returns over the medium to long term, with moderate to high volatility, consistent with a diversified mix of predominantly growth oriented assets and some defensive assets.

Portfolio strategy

The Portfolio typically invests in a diversified investment mix with exposure to growth investments of around 70% and defensive investments of around 30% over the long term, however the allocations will be actively managed within the allowable ranges depending on market conditions.

Growth of \$10,000

Time Period: 1/08/2019 to 31/07/2024



Performance Review

As of Date: 31/07/2024

	Return
1 Month	3.30
3 Months	5.35
1 Year	11.60
2 Years	9.61
3 Years	4.76
5 Years	6.01
YTD	8.54
Since Inception	6.39

Inception date: 17/06/2019

Main market highlights

Global share markets performed well in July. Much of the gains continued to be driven by inflation outcomes and central bank activity. In the US, the Federal Reserve (Fed) left its benchmark fed funds rate on hold at a target range of between 5.25% and 5.50% following its latest gathering, with Chairman Jerome Powell acknowledging that officials now had greater confidence that inflation will meet their 2.0% target. The latest figures showed headline inflation in the US rose 3.0% in the 12 months to 30 June, which was down on the 3.3% gain we saw in May. Core inflation slowed from 3.4% to 3.3%. For some time, Powell has said the Fed wouldn't cut interest rates until it was confident inflation was moving sustainably toward its target. Armed with these latest figures, he conceded that if inflation remains on its current path, then a reduction in interest rates could be on the table as soon as the Bank's next meeting in September. Meantime, the Bank of Japan unexpectedly raised interest rates again in July, while the Bank of England delivered its first rate cut in more than four years in early August. The European Central Bank left its main refinancing rate on hold. Australian shares made strong gains over the period, driven largely by better-than-expected June quarter inflation data.

Both global and domestic bonds recorded good gains for the month.

Long-term investing: Positioning for 5 years and beyond

The portfolio has a long-term asset allocation of 76% to return generating assets (including high yield debt and other extended fixed income). Growth asset valuations have increased year to date but are below pre-pandemic levels. Long-term, forward-looking return expectations for US shares and high-yield debt have moderated. The economic outlook creates uncertainty in the near term, however in the long term, growth assets are still preferred due to superior returns relative to defensive assets.

Defensive assets such as fixed income and cash have an allocation of 24% in the portfolio. A tilt toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have narrowed and are near their long-term averages. Government bonds are cheap across some markets and are now offering much higher yields than at the beginning of 2022.

Strategically, the portfolio has positions in cheaper and higher momentum securities as per our researched beliefs.

[^]This performance is net of management fees for both the Managed Portfolio and the underlying managers' fees and costs. It does not take into account any third party platform fees charged to individual investors or transaction costs (including buy/sell spreads and brokerage fees). It assumes income is reinvested without any tax deduction. It is for RIML's preferred model portfolio of holdings. A holding in the preferred model portfolio may be restricted or replaced with another similar asset in the Managed Portfolio on different platforms if the preferred holding is not available. Different platforms may also charge different management fees for the Managed Portfolio. This can result in variances in performance of the Managed Portfolio between platforms. An individual investor's performance will differ, according to the investor's actual exposures to Managed Portfolio holdings and other factors (including transaction timing, transaction costs, actual underlying manager fees and costs and whether income is paid in cash). Platforms will have their own methodology for calculating performance, at both a platform level and an individual investor level. Past performance is not a reliable indicator of future performance.

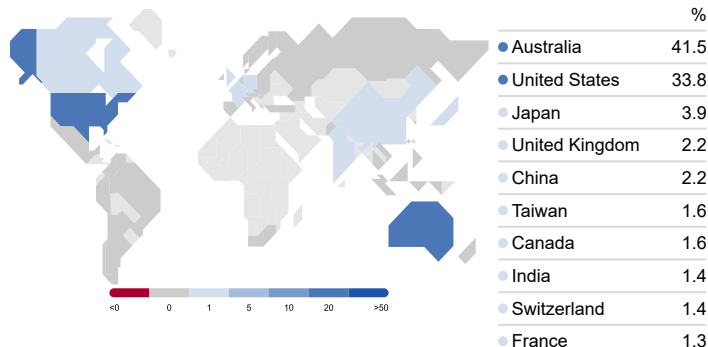
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolio.

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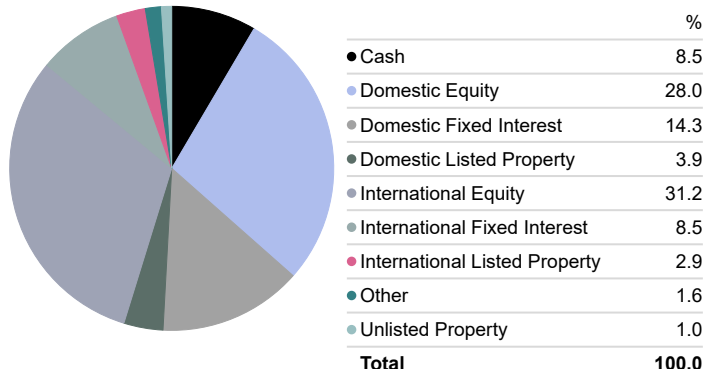
Country Exposure

Portfolio Date: 31/07/2024



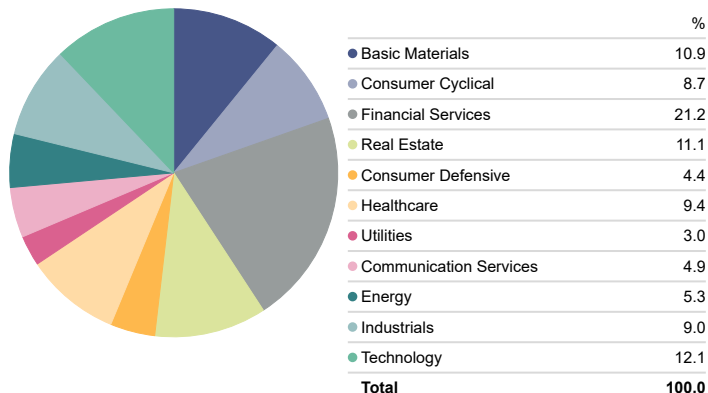
Asset Allocation

Portfolio Date: 31/07/2024



Sector Allocation

Portfolio Date: 31/07/2024



Main portfolio highlights

The direct Australian equity portfolio outperformed its benchmark, benefiting in part from an overweight exposure and positive stock selection within financials. This included overweights to QBE Insurance and Bendigo and Adelaide Bank. An overweight exposure and positive stock selection within the consumer discretionary sector also added value; notably an overweight to electronics retailer JB Hi-Fi and an underweight to The Lottery Corporation. Stock selection amongst materials also contributed positively to performance over the period, including an underweight to diversified miner South32. In contrast, stock selection within the real estate space detracted from overall returns in July, including an overweight to industrial property giant Goodman Group.

In terms of global equity managers, Japan equity specialist Nissay Asset Management significantly outperformed its benchmark, driven in part by overweights to Toho Gas Co., heavy industry manufacturer IHI Corp. and Hino Motors. An underweight to Toyota Motor added further value. US value manager Brandywine also outperformed, benefiting from a material underweight to the US technology space; notably Microsoft and chip maker NVIDIA. In contrast, emerging markets specialist Redwheel (formerly RWC Partners) underperformed its benchmark, hurt in part by overweight exposures to South Korean car makers Kia and Hyundai Motor Co.

During the month, we reduced the portfolio's allocation to Australian real estate investment trusts (A-REITs) in favour of global real estate investment trusts (G-REITs). G-REITs have not only underperformed A-REITs but also the broader global equity market. As a result, we believe G-REITs offer better value. G-REITs also provide greater diversification benefits, with the global listed property market comprising more than 300 constituents compared to just 33 in Australia.

We also increased the portfolio's allocations to global and Australian fixed income, which we expect to outperform cash as government bond yields fall in response to central bank interest rate cuts.

Finally, as equity markets moved higher in recent months, we renewed our options protection with higher strike prices and with the same November 2024 expiry. This means that equity markets – namely the US S&P 500 Index – will have to fall by less before our options provide protection.

Overall, the managed portfolio is aligned with its long-term asset allocation as we wait patiently for opportunities.

Dynamic positioning: Managing positions over the next 12-18 months

Looking ahead, we expect higher levels of volatility to continue, with active management to play an important role in navigating through it. We expect to increase growth asset exposure on major market reversals and decrease growth asset exposure on market rallies. This is a very important time to remain flexible as there are competing forces related to inflation and growth.

We retain the same themes as recent months, i.e. a preference for less expensive equity markets versus US equities and peer-relative overweights to global small caps and the value factor.

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Detailed Asset Allocation

Portfolio Date: 31/07/2024

	Portfolio Weighting %
Russell Inv Multi-Asset Growth Strat A	32.52
Vanguard All-World ex-US Shares ETF	6.88
Vanguard US Total Market Shares ETF	5.76
Russell Inv Australian Government Bd ETF	4.91
iShares Core Cash ETF	4.47
Vanguard MSCI Intl (Hdg) ETF	4.08
Vanguard Global Aggregate Bd Hdg ETF	3.65
Vanguard MSCI Australian Small Coms ETF	2.96
Vanguard Global Value Equity Active ETF	2.33
Vanguard Australian Property Secs ETF	2.33
Vanguard International Prpty Secs IdxHdg	2.20
iShares S&P Small-Cap ETF	1.80
Vanguard FTSE Emerging Markets Shrs ETF	1.45
Russell Global Opportunities A	1.42
Vanguard Global Infrastructure Index Hgd	1.07
Russell Inv Australian Select CorpBd ETF	0.94
Vanguard Australian Shares ETF	0.14
BHP Group Ltd	2.17
Commonwealth Bank of Australia	2.14
CSL Ltd	1.37
National Australia Bank Ltd	1.24
Westpac Banking Corp	1.06
Wesfarmers Ltd	0.87
ANZ Group Holdings Ltd	0.85
Goodman Group	0.84
Macquarie Group Ltd	0.77
Telstra Group Ltd	0.66
Rio Tinto Ltd	0.61
Woolworths Group Ltd	0.60
Aristocrat Leisure Ltd	0.55
WiseTech Global Ltd	0.52
Transurban Group	0.51
Woodside Energy Group Ltd	0.50
Fortescue Ltd	0.44
James Hardie Industries PLC ADR	0.42
Bendigo and Adelaide Bank Ltd	0.40
Suncorp Group Ltd	0.38
Newmont Corp Chess Depository Interest	0.37
Fisher & Paykel Healthcare Corp Ltd	0.36
Medibank Private Ltd	0.35
Origin Energy Ltd	0.34
Cleanaway Waste Management Ltd	0.34
Incitec Pivot Ltd	0.31
Seven Group Holdings Ltd	0.30
Ansell Ltd	0.30
Santos Ltd	0.29
Ampol Ltd	0.25

Allocations may not equal 100% due to rounding. In order to manage a fund/portfolio to its investment objectives, Russell Investments retains the discretion to change the underlying investments at any time, without notice to investors. Please refer to the relevant Product Disclosure Statement for more information.

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Contact Russell Investments

For further information about Russell Investments please visit russellinvestments.com.au

Important Information



Russell Investments Managed Portfolios have been rated Superior by SQM Research¹ for world class manager research capabilities and management of multi-asset portfolios.

¹ The rating is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

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